



House of Representatives

General Assembly

File No. 110

February Session, 2016

House Bill No. 5302

House of Representatives, March 22, 2016

The Committee on Children reported through REP. URBAN of the 43rd Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING A TAX CREDIT FOR EMPLOYERS OFFERING ON-SITE CHILD CARE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective January 1, 2017, and applicable to income or*
2 *taxable years commencing on or after said date*) (a) For the purposes of this
3 section:

4 (1) "Commissioner" means the Commissioner of Economic and
5 Community Development;

6 (2) "Income year" means, with respect to entities subject to the
7 insurance premiums tax under chapter 207 of the general statutes, the
8 corporation business tax under chapter 208 of the general statutes, the
9 utility companies tax under chapter 212 of the general statutes or the
10 income tax under chapter 229 of the general statutes, the income or
11 taxable year as determined under each of said chapters, as the case
12 may be;

13 (3) "Taxpayer" means a person that (A) has been in business for at
14 least twelve consecutive months prior to the date of the taxpayer's
15 application to the commissioner for certification under this section for
16 an on-site child care tax credit, and (B) is subject to tax under chapter
17 208 of the general statutes or chapter 207, 212 or 229 of the general
18 statutes; and

19 (4) "Qualifying employee" means an employee that is required to
20 work at least thirty-five hours per week for not less than forty-eight
21 weeks in a calendar year and who has enrolled one or more of his or
22 her minor dependents in a child care center licensed pursuant to
23 section 19a-80 of the general statutes that is located at or adjacent to the
24 employee's workplace and operated by the taxpayer for the exclusive
25 use of the taxpayer's employees.

26 (b) There is established an on-site child care tax credit program
27 under which a taxpayer may be allowed a credit against the tax
28 imposed under chapter 208 of the general statutes or chapter 207, 212
29 or 229 of the general statutes, other than the liability imposed by
30 section 12-707 of the general statutes, for each qualifying employee.

31 (c) The amount of the credit shall be five hundred dollars per month
32 for each minor dependent enrolled in the child care center by a
33 qualifying employee.

34 (d) (1) The taxpayer shall claim the credit in the income year in
35 which it is earned. Any credit not claimed by the taxpayer in such
36 income year shall expire and shall not be refundable.

37 (2) If the taxpayer is an S corporation or an entity treated as a
38 partnership for federal income tax purposes, the shareholders or
39 partners of such taxpayer may claim the credit. If the taxpayer is a
40 single member limited liability company that is disregarded as an
41 entity separate from its owner, the limited liability company's owner
42 may claim the credit.

43 (3) No taxpayer shall claim a credit for any qualifying employee

44 who is an owner, member or partner in the business or who is not
45 employed by the taxpayer at the close of the taxpayer's income year.

46 (4) No taxpayer claiming the credit under this section with respect
47 to a qualifying employee shall claim any credit against any tax under
48 any other provision of the general statutes with respect to the same
49 qualifying employee.

50 (e) (1) To be eligible to claim a credit under this section, a taxpayer
51 shall apply to the commissioner in accordance with this section. The
52 application shall be on a form provided by the commissioner and shall
53 contain sufficient information as required by the commissioner,
54 including, but not limited to, the activities that the taxpayer primarily
55 engages in, the North American Industrial Classification System code
56 of the taxpayer, the current number of employees employed by the
57 taxpayer as of the application date, and if applicable, the name and
58 position or job title of the qualifying employee. The commissioner may
59 impose an application fee as the commissioner deems appropriate.

60 (2) Upon receipt of an application, the commissioner shall render a
61 decision, in writing, on each completed application not later than thirty
62 days after the date the commissioner receives the application. If the
63 commissioner approves the application, the commissioner shall issue a
64 certification letter to the taxpayer indicating that the credit will be
65 available to be claimed by the taxpayer if the taxpayer and the
66 qualifying employee otherwise meet the requirements of this section.

67 (f) The total amount of credits granted under this section shall not
68 exceed one million dollars in any one fiscal year.

69 (g) No credit allowed under this section shall exceed the amount of
70 tax imposed on a taxpayer under chapter 208 of the general statutes or
71 chapter 207, 212 or 229 of the general statutes. The commissioner shall
72 annually provide to the Commissioner of Revenue Services a list
73 detailing all credits that have been approved and all taxpayers that
74 have been issued a certification letter under this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2017, and applicable to income or taxable years commencing on or after said date</i>	New section

KID *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$
Department of Revenue Services	GF - Revenue Loss	500,000	1,000,000
Department of Economic & Community Development	GF - Potential Cost	36,393	72,786
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	14,536	29,071
Revenue Serv., Dept.	GF - Cost	5,000	None
Department of Economic & Community Development	GF - Revenue Gain	Potential	Potential

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes an on-site child care tax credit that applies against a taxpayer's corporate business, insurance premium, public utility, or personal income tax liability. This results in: (1) a General Fund revenue loss of \$500,000 in FY 17 and \$1 million annually thereafter, (2) a potential cost of \$50,929 in FY 17 and \$101,857 annually thereafter and (3) a one-time cost of \$5,000 in FY 17 only.

The credit, which is capped at \$1 million annually, is calculated at a rate of \$500 per month for each eligible child enrolled in an employer's on-site daycare program. As the credit would be fully extinguished once 167 full-time day care participants utilize the program, it is anticipated that the credit will reach the capped level each year it is

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 39.94% of payroll in FY 17 and FY 18.

available.

The bill also results in a potential annual cost of \$101,857 to the Department of Economic and Community Development (DECD) to administer the program, as well as a one-time cost of \$5,000 to the Department of Revenue Services to update personal income tax schedule CT-IT and the online Taxpayer Service Center.

To participate in the program businesses must (1) be registered as a business for 12 months and (2) operate a licensed daycare center exclusive for employees on its premise or adjacent to its location.

While it is anticipated that the program would be fully utilized, the number of businesses that would qualify for the program based on these requirements is unknown. For illustrative purposes, assuming fifty businesses qualify and apply to the program, DECD would require one full time staff at an annual cost of \$101,857 (\$72,786 salary plus \$29,071 fringe benefits). If the number of eligible businesses is lower, it is anticipated that DECD could administer the program within existing resources.

The staff would be required to review applications, conduct compliance on applicants to ensure the employer and qualifying employee(s) meet the requirements of the bill. The bill requires decisions on applications to be rendered within 30 days of receipt.

The bill allows the DECD commissioner to impose an application fee for the program. Any fee imposed by the commissioner may partially offset the cost of the program.

The Out Years

The annualized ongoing cost impact identified above would continue into the future subject to inflation. The annualized ongoing revenue impact identified above would remain constant into the future as the tax credit is capped at \$1 million annually.

OLR Bill Analysis**HB 5302*****AN ACT CONCERNING A TAX CREDIT FOR EMPLOYERS OFFERING ON-SITE CHILD CARE.*****SUMMARY:**

This bill establishes a new business tax credit for employers operating licensed child care centers for their employees.

The credit, which equals \$500 per month for each child enrolled in the center by a qualifying employee, applies against the taxpayer's corporate business, insurance premium, utility company, or personal income tax, but not the withholding tax.

The bill caps at \$1 million the total amount of credits under the program that may be granted each fiscal year.

It also (1) requires businesses to apply to the Department of Economic and Community Development (DECD) for the credits and (2) establishes procedures the DECD commissioner must follow when she receives an application for certification. It also requires the DECD commissioner to annually provide to the DRS commissioner a list of all approved credits and taxpayers that have been issued this certification.

EFFECTIVE DATE: January 1, 2017 and applicable to income or tax years starting on or after that date

ELIGIBLE BUSINESSES AND EMPLOYEES

Under the bill, an eligible business is one that (1) has been in business at least 12 consecutive months before applying to DECD for child care tax credit certification and (2) is subject to any of the taxes to which the credit may be applied. If the business is an S corporation or treated as a partnership for federal income tax purposes, its shareholders or partners may claim the credit. If it is a single member

limited liability company disregarded as separate from its owner, the owner may claim the credit.

A qualifying employee is a full-time employee (i.e., works at least 35 hours per week and at least 48 weeks per calendar year) who enrolls one or more of his or her children (i.e., minor dependents) in a licensed child care center the business operates exclusively for its employees at or next to the workplace. Under the bill, the business may not claim the credit for a qualifying employee who is an owner, member, or partner in the business or who is not employed by the business at the close of the income year.

APPLICATION AND APPROVAL PROCEDURE

Under the bill, a business must apply to the DECD commissioner to become eligible to claim the new tax credit. The business must use a form provided by DECD and supply sufficient information as required by the commissioner, including the business's (1) primary activities, (2) current North American Industrial Classification System code, and (3) current number of employees as of the application date. If applicable, the form must also include each qualifying employee's name and position or job title. The commissioner may impose an application fee if she deems it appropriate.

When the commissioner receives a completed application, she must issue a written decision within 30 days. If she approves it, she must issue a certification letter to the business indicating that the credit will be available for the business to claim if all other requirements under the bill are met.

CLAIMING CREDITS

The business may not claim any other tax credits for a qualifying employee for whom it claims a credit under the bill. The credit may not exceed the total amount the business owes for the tax. Any credit not claimed the year it is earned expires and is non-refundable.

COMMITTEE ACTION

Committee on Children

Joint Favorable

Yea 13 Nay 0 (03/08/2016)